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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS
COMMISSIONER

BILL ANALYSIS

BILL NUMBER: Bill HB 5628, as introduced

TOPIC: Creates a low cost auto insurance pilot program

SPONSOR: Rep. Mary Valentine

CO-SPONSORS: Reps. Lesia Liss, Harold Haugh, Dian Slavens, Douglas Geiss, Mike Huckleberry, Bob Constan, Rashida Tlaib, Robert Jones, Fred Durhal, George Cushingberry, Jimmy Womack, Coleman Young, LaMar Lemmons, David Nathan, Lisa Brown, Sara Roberts, Lee Gonzales, Gabe Leland, Ellen Cogen Lipton

COMMITTEE: House Committee on Insurance

Analysis Done: December 2, 2009

POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

PROBLEM/BACKGROUND

A Michigan no-fault policy contains three mandatory coverages: personal injury protection (PIP), property protection (PPI) and residual bodily injury and property damage liability (BI/PD). The PIP coverage provides unlimited medical benefits to the policyholder, his/her family, and to others who might be injured in or by the policyholder's vehicle, if the injured party does not have their own coverage. The BI/PD coverage provides liability protection, up to the policy limits, if you are involved in a serious accident and are sued or legally responsible for damages. The minimum required BI/PD liability coverage limits are \$20,000 for a person who is hurt or killed in an accident; \$40,000 for each accident if several people are hurt or killed and up to \$10,000 for property damage in another state.

Because auto insurance is mandatory, it is imperative that all drivers have access to affordable coverage.

DESCRIPTION OF BILL

The proposed legislation would create a pilot program for low-cost auto insurance offered on a limited basis in the state. The low-cost program would provide no-fault PIP and liability coverage. However, the work loss benefit would not exceed 250% of the monthly federal poverty level. The Commissioner would be responsible for establishing the area where the program will be offered and the rate to be charged for the low-cost policy. The proposed legislation is tie-barred with House Bill 5627, House Bill 5629 and House Bill 5630.

SUMMARY OF ARGUMENTS

Pro

This proposal may encourage those who are uninsured to purchase auto insurance that provides some protection in the event of a serious accident.

Con

FISCAL/ECONOMIC IMPACT

OFIR has identified the following revenue or budgetary implications in this bill:

(a) To the Office of Financial and Insurance Regulation:

Budgetary: OFIR may incur significant expense to ensure that consumers are aware of the pilot program and its eligibility requirements. Further, OFIR would need to hire and retain additional technical staff to evaluate and determine an appropriate rate for low-cost policies and to oversee the low-cost program.

Revenue:

Comments:

(b) To the Department of Energy, Labor & Economic Growth: None known.

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None known.

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None known.

Comments:

OTHER STATE DEPARTMENTS

None known.

ANY OTHER PERTINENT INFORMATION

None know.

ADMINISTRATIVE RULES IMPACT

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code, 1956 PA 218.



Ken Ross
Commissioner

12.2.09

Date

